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DE RUEHKL #0113 0520855
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FM AMEMBASSY KUALA LUMPUR
TO RUEHC/SECSTATE WASHDC PRIORITY 0557
INFO RUEHGV/USMISSION GENEVA PRIORITY 1545
RUEHBK/AMEMBASSY BANGKOK 3219
RUEHBJ/AMEMBASSY BEIJING 2418
RUEHBO/AMEMBASSY BOGOTA 0051
RUEHBU/AMEMBASSY BUENOS AIRES 0056
RUEHEG/AMEMBASSY CAIRO 0073
RUEHNE/AMEMBASSY NEW DELHI 0751
RUEHJA/AMEMBASSY JAKARTA 1735
RUEHPE/AMEMBASSY LIMA 0077
RUEHML/AMEMBASSY MANILA 2607
RUEHME/AMEMBASSY MEXICO 0060
RUEHSA/AMEMBASSY PRETORIA 0166
RUEHSG/AMEMBASSY SANTIAGO 0038
RUEHBS/USEU BRUSSELS 0224

UNCLAS KUALA LUMPUR 000113

SIPDIS

SENSITIVE

SIPDIS

STATE PASS USTR - JENNIFER PRESCOTT
USTR ALSO FOR BARBARA WEISEL AND DOUGLAS BELL
GENEVA FOR USTR - RACHEL SHUB

E.O. 12958: N/A

TAGS: [SENV](#) [EAGR](#) [ETRD](#) [MY](#)

SUBJECT: DEMARCHE REGARDING WTO DDA NEGOTIATIONS ON ENVIRONMENTAL
GOODS AND SERVICES

REF: A) STATE 011974 B) 2007 KUALA LUMPUR 997

¶1. (U) Econoff discussed ref A demarche on February 21 with Harjit Kaur Chand Singh and Arividya Arimuthu, Office of Multilateral Trade Policy and Negotiations, Ministry of International Trade and Industry (MITI). Harjit noted that Malaysia takes seriously the need to encourage trade in environmental goods and services (EGS), in particular those goods that would alleviate climate change. However, Malaysia shared the concerns of many other WTO members about agreeing to permanent duty reductions for goods and services that also could be used for non-environmental purposes. MITI had found it difficult to create definitions of EGS that would not create significant loopholes, and its own informal list of acceptable EGS was much lower than the 450 or so products that members have identified so far. Harjit indicated that the same concerns exist for Malaysia regarding the smaller number of climate related products that would be addressed in the first tier of the U.S.-EC proposal of November 2007. Malaysia will be interested in hearing more on the proposal from the U.S. and the EC at the February 25-27 meeting of the Committee on Trade and Environment Special Session. Harjit was unaware of Brazil's proposal from October 2007 and would likewise welcome additional information at next week's meeting.

¶2. (U) Harjit indicated that Malaysia saw merit in both project-specific and list-specific approaches, so a "convergent" proposal like that of the U.S. and the EC was somewhat appealing. However, Malaysia was not willing at present to commit to any proposal. Harjit suggested that the United States and the EC be more flexible with regard to temporary duty reductions, at least on the 43 climate-related products that are the focus of the first tier of the November 2007 U.S.-EC proposal; in the meantime negotiations could continue that could eventually lead to permanent duty reductions on those and other EGS, she added.

¶3. (SBU) Comment: Since econoff last discussed the issue with MITI in June 2007 (ref B), Malaysia appears to have made only limited internal progress on what it would accept in an EGS market access

agreement. It is encouraging that MITI has at least attempted to put together its own list of EGS products since then. Malaysia appears willing to be convinced that the U.S.-EC proposal would be a workable solution to the stalemate on progress to date, but Malaysia will likewise remain sympathetic to the approaches of other developing countries like India and Brazil. It may be particularly keen on the inclusion of biofuels in an eventual agreement (as in Brazil's proposal), given Malaysia's intention to significantly increase its exports of palm-oil-based biofuel. End comment.

KEITH